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paragon begins fiscal year 2014 ahead of expectations

- **Q1 revenues rising 15.2% to EUR 19.0 million**
- **EBIT ahead of plan at EUR 0.6 million**
- **Significant investment into new business areas**
- **Managing Board reaffirms forecast for 2014**

Delbrück, Germany, May 14, 2014 – In the first quarter of fiscal year 2014 paragon AG continued its strong business performance exceeding its own expectations. Compared to the same period in the prior year, revenues rose by 15.2% to approx. EUR 19.0 million (Q1 2013: EUR 16.5 million). While EBIT for the quarter declined from EUR 0.9 million to EUR 0.6 million because of the large investment into new business areas it was nevertheless above plan. The growth outlook for the remainder of the year remains strong with booked business covering 96% of the company's planned full-year revenue. The Managing Board of paragon AG has reaffirmed its outlook for full-year revenue growth of about 8% and an EBIT margin of roughly 10%.

"This is the strongest first quarter since our strategic reorientation," said Klaus Dieter Frers, CEO of paragon AG. "As to the coming months we expect to see further strong growth in our business division Electromobility which will also serve to make the group less dependent upon automotive industry cycles."

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Investment for future growth

The company's net income for the quarter ending March 31, 2014, and determined in accordance with IFRS, was EUR 0.1 million (Q1 2013: EUR 0.5 million) putting earnings per share at EUR 0.02 (Q1 2013: EUR 0.11). In terms of operating performance all of paragon's business divisions generated quarterly revenues which was in line with, or in some cases significantly above, plan. EBIT declined to EUR 0.6 million, compared to EUR 0.9 million in the prior year period, because of hiring of additional staff for new business areas as well as higher material and personnel costs resulting from changes in the company's product mix thus reducing EBIT margin from 5.4% to 3.1%. In addition, investment levels into new business areas were higher than in the prior-year quarter. In particular, capital investment into the body-kinematics division rose by EUR 0.5 million compared to the first quarter of 2013, and by EUR 0.2 million in the electromobility division including expansion of production in the company's U.S. subsidiary Voltabox Texas, Inc.. Excluding these additional expenditures, EBIT would have been EUR 1.3 or some 44% above the prior-year figure of EUR 0.9 million and EBIT margin for the quarter would have been 6.8%.

In March 2014, paragon AG was able to raise a further EUR 3.0 million through the private placement of an additional tranche of its corporate bond with institutional investors. With this follow-on transaction, the total amount raised from its bond issue originally launched in July 2013 has now risen to EUR 13 million (out of up to EUR 20 million per bond prospectus). As a result of this additional capital, the company's total assets and liabilities expanded substantially compared to the prior year. Equity capital rose to EUR 16.0 million as of March 31, 2014, compared to EUR 13.5 million at the end of the first quarter of 2013, although because of the concurrent increase in total liabilities, the company's equity capital ratio

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ended the quarter at 30.3%, compared to 31.0% one year earlier. As of the end of the quarter cash and cash equivalents totaled EUR 14.8 million (Q1 2013: EUR 7.2 million), while interest-bearing obligations declined slightly to EUR 14.3 million (Q1 2013: EUR 14.6 million). The company's net debt thus rose to EUR 10.9 million (Q1 2013: EUR 7.1 million).

Focus on U.S. market

In accordance with the company's internationalization strategy, initial steps were carried out to establish production at its U.S. subsidiary in Austin, Texas, where manufacturing is scheduled to commence in the fourth quarter of this year. paragon is committed to expanding its electromobility business, marketing its battery packs around the world under the Voltabox brand and exploiting market opportunities in non-automotive customer segments in Europe and the U.S. Through its focus on new target customer groups, the company's electromobility business provides a means to reduce its dependence upon automotive industry cycles. Alone through its partnership with Vossloh Kiepe, the company has already been advised of the expected order of some 1,000 battery packs in the coming years.

With its contribution to total group revenues expected to rise to 30% by fiscal year 2015, the electromobility division is becoming an ever more important business area for paragon AG beyond the company's traditional customer base in the automotive industry. In addition to usage for back-up power in electric trolleybuses, Voltabox battery packs are expected to find future application in smaller utility vehicles, in forklift trucks, and in the solar power industry. Through this deliberate diversification of its product portfolio paragon seeks to bring greater stability to its ongoing revenue stream.

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Company profile

Listed on the Frankfurt Stock Exchange (Prime Standard, ISIN DE0005558696), paragon AG develops, produces and sells advanced automotive electronics solutions. The business portfolio of this direct supplier to the automotive industry includes products in the following segments: sensors, acoustics, cockpit, electromobility, and body-kinematics. Headquartered in the northwestern German city of Delbrück, paragon AG has three other locations in Germany - in Suhl, Nuremberg and St. Georgen - as well as a sales office in Shanghai and a production subsidiary in Austin, Texas.

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